

**Management District Plan
FOR THE
Formation
OF THE
MELROSE
PROPERTY BUSINESS IMPROVEMENT
DISTRICT**

*Prepared February 2012 pursuant to the State of California
Property and Business Improvement District Law of 1994
to Form a
Management District in the Melrose area, a community within the
City of Los Angeles
by the
Melrose Property Owners Association
and*

Duckworth Consulting, Its Consultants

“Melrose”
Property Business Improvement District
Management District Plan

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I. OVERVIEW OF THE MELROSE PROPERTY BUSINESS IMPROVEMENT DISTRICT

Introduction: A growing coalition of property and business owners, and members of the community, are proposing formation of the Melrose Property Business Improvement District (hereinafter “District”) pursuant to the Property and Business Improvement District Law of 1994 (Streets & Highways Code Section 36600 *et seq.*; hereinafter the “State Law”). This document is the Management District Plan required by Section 36622 of the State Law. It proposes improvements, activities, and services that revitalize and enhance the area and convey special benefits to properties located within the boundaries of the Melrose District.

Name: “Melrose Property Business Improvement District.”

Location: The proposed District is a well known commercial area in the City of Los Angeles, located south of Hollywood and centered along Melrose Avenue between Highland Avenue on the east and Fairfax Avenue on the west. It is a commercial strip that abuts a residential neighborhood that is generally one parcel deep to both the north and the south. It includes Fairfax High School and Melrose Elementary School. Refer to the boundary description and map in the “Boundaries / Maps” section of this document for a more complete description of the District’s boundaries.

Services: The proposed District will fund improvements, activities, and services authorized under the State Law. Specifically, the District will provide improvements, activities, and services in the following program areas: (i) ambassador services; (ii) landscape maintenance, sanitation and beautification; (iii) marketing and promotions; (iv) new business attraction; and, (v) policy development, district management, and administration.

The purpose of all improvements, activities, and services described in this Management District Plan is to specially and individually benefit property in the District. No improvements, activities, or services will be provided outside District boundaries.

See the “Service Plan / Budget” section of this document for a more specific description of the improvements, activities, and services planned for the District.

Method of Financing: The improvements, activities, and services will be funded through a benefit assessment against real property in the District. The assessment formula has been designed to ensure that no parcel will be assessed an amount that exceeds the cost of the proportional special benefit that parcel derives from the improvements, activities, and services provided by the District. Generally, each parcel in the District will be assessed \$0.1499 per square foot of lot size, \$0.1932 per square foot of improvement size, and \$8.3964 per linear foot of street frontage. Parcels zoned “PF” and used as public schools will be assessed \$8.3964 per linear foot of street frontage on Melrose or other street frontage that is directly across from street frontage that is in the District. The parcel assessments are described in greater detail in Section IV of this Management District Plan.

Assessments will be collected at the same time and in the same manner as ad valorem taxes paid to the County of Los Angeles.

District assessments may be adjusted annually to reflect inflation at a rate not to exceed three percent (3%). In conjunction with required annual proceedings, the Owner's Association will notify the City of Los Angeles of any proposed inflationary adjustment.

During the five-year term of the District, it is likely that the improvements on some parcels in the District will change. The assessment against each parcel for any year will be based on the improvements actually present on the parcel as of the beginning of that year. Pursuant to Government Code Section 53750(h)(3), a change in the assessment against a parcel that results solely from changes to the parcel does not constitute an assessment "increase" requiring the conduct of a new Proposition 218 ballot proceeding.

See the "Assessment Formula" section of this document for additional details.

Budget: The proposed District budget is included in the "Service Plan" section of this document.

Bonds: The District will not issue bonds.

City Services: The base line services of the City of Los Angeles are not affected by the District's improvements, activities and services, which are only supplemental in nature to those services. The Melrose BID is being established to provide enhanced (or otherwise unavailable) improvements, activities, and services to assessed parcels within the boundaries of the District.

Duration: As required by State Law, the District will have a set term. The District's term will be January 1, 2013 through December 31, 2017. At the end of this period, the District may be renewed as permitted by law.

II. BUSINESS IMPROVEMENT DISTRICT BOUNDARIES

The Melrose Business Improvement District is centered along Melrose Avenue. The boundaries of the District are shown on the map that follows this Section of this Plan. A list of the Los Angeles County Assessor's Parcel Numbers and addresses of each included parcel is provided in Appendix 1 of this document. Additional information regarding these boundaries, and a database of each included parcel, is provided in the Engineer's Report for the District, which is incorporated herein by reference, and included as Appendix 2 of this document.

The District includes all non-residentially zoned parcels that lie between N. Fairfax Avenue and N. Highland Avenue and encompasses a unique area historically well known simply as "Melrose," which is a relatively compact, pedestrian oriented area featuring commercial uses that tend to function in a complimentary economic manner. Customers, employees, and visitors to Melrose tend to drive to the area, park once, and then walk to their commercial destinations or to partake in the activities along Melrose Avenue and its commercial side streets. The north and south boundaries of the District run along the alleys immediately behind the rows of commercial lots except for two places where the boundaries jog north or south to include the entirety of school parcels that front on Melrose Avenue. On the other side of these alleys lie residential neighborhoods except at the three locations where Melrose Avenue is bisected by regional traffic collector streets that function as regional, auto oriented commercial corridors: N. Fairfax Avenue, N. La Brea Avenue and N. Highland Avenue. The District's improvements, activities, and services are not designed for these residential neighborhoods and no improvements, activities, and services will be provided in these residential neighborhoods. N. Fairfax Avenue, N. La Brea Avenue and N. Highland Avenue are commercially developed, as is Melrose Avenue to the East and West of the District. However, these commercial strips are best understood as being part of Fairfax, West Hollywood, Hollywood or Hancock Park commercial corridors, rather than part of Melrose. These commercial corridors also generally consist of larger businesses, serving a regional market that are often more auto oriented than the more pedestrian-oriented Melrose businesses. No improvements, activities, or services will be provided by the District to parcels that don't front on Melrose that are on these commercial collector streets.

As a supplement to the referenced District map, the boundaries of the proposed District are described below.

Northern Boundary:

- The northern boundary of the District begins at the intersection of the centerline of N. Fairfax Avenue with the centerline of the public alley north of parcel 5527-011-005 (the parcel at the northeast corner of N. Fairfax Avenue and Melrose Avenue). From that point, the District boundary follows the centerline of the public alley east approximately 1 mile to the centerline of N. Formosa Avenue. At the point at which the public alley centerline intersects with the centerline of Poinsettia Place, the boundary follows the Poinsettia Place centerline to transition

from 15 ft. wide public alley width to the west and 20 ft. wide public alley to the east and then continues east along the public alley centerline. Continuing at the point of intersection of the center of the public alley and the centerline of N. Formosa Avenue, the District boundary runs north along the centerline of N. Formosa Avenue to its intersection with the centerline of Waring Avenue, then east along the centerline of Waring Avenue to its intersection with N. Detroit Street, then south along the centerline of N. Detroit Street to its intersection with the centerline of the public alley to the north of parcel 5525-009-022 (the parcel located at the northeast corner of N. Detroit Street and Melrose Avenue). From that point, the District boundary continues east along the centerline of the public alley to the centerline of the public alley to the east of that parcel 5525-009-022, then along that centerline to its intersection with the north parcel boundary of parcel 5525-009-024 at which point it continues east across N. La Brea Avenue to the centerline of the public alley to the north of parcel 5525-008-032 (the parcel located at the northeast corner of N. La Brea Avenue and Melrose Avenue). From that point, the District boundary continues east along the centerline of the public alley to its intersection with the centerline of the N. Citrus Avenue then, south along that centerline to its intersection with the centerline of Melrose Avenue, then along that centerline to its intersection with the centerline of Highland Avenue. This boundary was chosen to include all of the complimentary functioning non-residential parcels that compose the unique, historically identified, compact, pedestrian oriented Melrose area to the south between N. Fairfax Avenue and N. Highland Avenue and exclude all solely residential parcels located to the north of the alley that runs behind the Melrose Avenue business strip. Solely residential parcels are presumed by State Law to not benefit from District improvements, activities, or services. The area to the north of the alley is residential, except along N. Fairfax Avenue, N. La Brea Avenue, and N. Highland Avenue (each of which constitutes a distinct business corridor). The commercially zoned parcels that front on N. Fairfax Avenue or N. La Brea Avenue are excluded from the District because they are oriented to provide services to those major commercial collector streets and would not benefit from the improvements, activities, or services provided for the unique, historically identified, compact, pedestrian oriented Melrose and its complimentary functioning commercial uses. The commercially zoned parcels that front N. Highland Avenue are excluded from the District because they are included within the boundaries of the Hollywood Media District BID and, therefore, prohibited by State Law from being included in the District. All assessed parcels located within the District will specially and individually benefit from its improvements, activities, and services. No improvements, activities, or services will be provided outside of the District's boundaries.

Eastern Boundary:

- The eastern boundary of the District begins at the intersection of the centerline of Melrose Avenue and its intersection with the centerline of N. Highland Avenue and extends south along that centerline to its intersection with

the centerline of the public alley south of parcel 5524-017-001. This boundary was chosen to include all of the unique, historically identified, compact, pedestrian oriented Melrose parcels to the west that function as a complimentary economic unit. This boundary also excludes from the District commercially zoned parcels that front on N. Highland Avenue that are located within the Hollywood Media District BID and precluded by State Law from being included within the Melrose BID boundaries. Residentially zoned parcels that front on N. Highland Avenue are excluded from the District because they are presumed by State Law to not benefit from District improvements, activities, or services. The auto maintenance commercial use located at Highland Avenue is oriented to provide services as part of the extended commercial corridor located along that major arterial street and that would not benefit from the improvements, activities, or services provided for the unique, historically identified, compact, pedestrian oriented Melrose area. Parcels located east of N. Highland Avenue on Melroe Avenue are either zoned solely residential and presumed by State Law to not benefit from improvements, services, and activities provided by the District or are commercial parcels that are oriented to providing services to the surrounding residential neighborhood and are also excluded from the District because they would not benefit from the improvements, activities, or services provided for the unique, historically identified, compact, pedestrian oriented shopping district fronting on Melrose Avenue. All assessed parcels located within the District will specially and individually benefit from its improvements, activities, and services of the District. No improvements, activities, or services will be provided outside of the District's boundaries.

Southern Boundary

- The southern boundary of the District continues west from the intersection of the centerline of N. Highland Avenue with the centerline of the public alley south of parcel 5524-017-001 (the parcel located at the southwest corner of N. Highland Avenue and Melrose Avenue). From that point, the District boundary follows the centerline of the public alley west approximately 1 mile to the centerline of N. Genesee Avenue. At that point, to include the Fairfax High School parcel 5527-021-900 that fronts on Melrose Avenue, the District boundary runs south along the centerline of N. Genesee Avenue to its intersection with the centerline of Rosewood Avenue, then west along the centerline of Rosewood Avenue to its intersection with the centerline of N. Fairfax Avenue. This boundary was chosen to include all of the of the complimentary functioning commercial parcels that compose the unique, historically identified, compact, pedestrian oriented Melrose area to the north and exclude those to the south that are zoned solely residential and presumed by State Law to not benefit from District improvements, activities, or services. Also excluded from the District were commercially zoned parcels that front on N. Fairfax Avenue, or N. La Brea Avenue (each of which constitute a distinct business corridor). These extended, regional commercial corridors are oriented to provide services to automobile traffic on those major arterial streets and would not benefit from the

improvements, activities, or services provided for the pedestrian oriented shopping district fronting on Melrose Avenue. All assessed parcels located within the District will specially and individually benefit from its improvements, activities, and services. No improvements, activities, or services will be provided outside of the District's boundaries.

Western Boundary:

- The western boundary of the District continues north along the centerline of N. Fairfax Avenue from its intersection with the centerline of Rosewood Avenue south of parcel 5527-021-900 (the parcel located at the southwest corner of N. Fairfax Avenue and Melrose Avenue), and extends to its intersection with the centerline of the public alley north of parcel 5527-011-005, which is the point of beginning for this boundary description. This boundary was chosen to include all of the unique, historically identified, compact, pedestrian oriented Melrose area parcels to the west the function as a complimentary economic unit. This boundary also excludes from the District commercially zoned parcels that front on N. Fairfax Avenue that are a part of the extended commercial corridor located along major arterial street and oriented to provide services to automobile traffic on that major arterial street, and that would not benefit from the services provided for the pedestrian oriented shopping district fronting on Melrose Avenue. Parcels located west of N. Fairfax Avenue that are zoned solely residential and presumed by State Law to not benefit from District improvements, activities, or services are also excluded from the District. Commercial parcels located west of N. Fairfax Avenue that are oriented to providing services to adjacent residential neighborhoods are excluded from the District because they would not benefit from the improvements, activities, or services provided for the pedestrian oriented shopping district fronting on Melrose Avenue. Also excluded from the District are commercial parcels located west of N. Fairfax Avenue that are a part of non-Melrose shopping areas and would not benefit from the improvements, services, and activities directed to that unique, historically identified, compact, pedestrian oriented Melrose area parcels to the west the function as a complimentary economic unit. All assessed parcels located within the District will specially and individually benefit from its improvements, activities, and services of the District. No improvements, activities, or services will be provided outside of the District's boundaries.

Insert Map of District Boundaries

III. PROPOSED DISTRICT SERVICE PLAN / BUDGET 2013 - 2017

The District will provide the following improvements, activities, and services as consistent with the provisions of the State Law: (i) ambassador / security services; (ii) landscape maintenance, sanitation, and beautification; (iii) marketing and promotions; (iv) new business attraction; and, (v) policy development, district management, and administration. These services are described in greater detail below.

The District will operate on a fiscal year that begins on January 1 and ends on December 31 of each calendar year. In years in which annual District assessments do not fully fund all of its costs, funds from its contingency and cash flow reserves may be budgeted to close the gap. The contingency and cash flow reserve is a fund maintained to accommodate the timing lag between the time that the District incurs costs and the time that it receives funds. Also, the District may carry forward uncompleted projects or unexpended assessment revenues from prior fiscal years in order to most effectively and efficiently manage its operations. Carryover funds may also be re-budgeted for subsequent fiscal years for any District improvements, activities, and services described in this Plan. Accumulated interest or delinquent assessment payments may be expended for any of the improvements, activities, and services described in this Plan.

The Owners' Association will have the responsibility to enter contracts with service providers and consultants, hire staff, and manage the day-to-day affairs of the District. The Owner's Association will have the ability to make adjustments to the budget categories as dictated by the needs of the District, changing market conditions, and in accordance with the terms and conditions of the contract with the City of Los Angeles

District Dissolution. In the event that the Melrose District ends either because it is not renewed in 2017 or as a result of the disestablishment process, then funds may be set aside from the District in its final year of operation to remove landscaping, equipment, street furniture, trash receptacles, and other District improvements and property for which a future caretaker would not exist. The purpose of this provision is to avoid the creation of future damage and maintenance liabilities in the public right of way. All remaining funds shall be returned to the existing parcel owners as provided in State Law and the City's contract with the Owner's Association.

All of the improvements, activities, and services described below are provided only within the boundaries of the District and provide a special benefit to each individually assessed property located within the proposed District. No improvements, activities, or services will be provided outside District boundaries. "Special benefit" is defined in "Finding 2" of the attached Engineer's Report. Consequently, any potential general benefits are intangible and not quantifiable.

The following are the key expenditure categories or program areas of the District service plan / budget:

A. AMBASSADOR / SECURITY SERVICES

The purpose of the Ambassador / Security Services Program is to provide a readily identifiable, uniformed presence to individually assessed parcels that will observe and respond to situations adjacent to those parcels. Ambassadors / security officers will enhance the appearance of safety and the comfort level of customers, employees, visitors, owners and tenants entering, leaving, and walking between assessed parcels.

Ambassadors / security officers may operate via vehicle, bicycle, or foot patrols as deemed appropriate by the Owner's Association. These personnel provide directions or assistance; serve as a liaison to the City's police, City Attorney, and other services; coordinate the provision of homeless services, warn and advise trespassers; and, respond to visitor inquiries. A business district that is comfortable for its customers and pedestrians will realize enhanced economic vitality, business growth, and tenant retention. Ambassadors will be deployed at such times and in such a manner as the District deems most effective and efficient to achieving their purpose. This practice will allow for cost savings when service needs are not present. For the purpose of establishing a budget estimate, 60 hours per week of a single unarmed contract ambassador / security officer has been projected.

The Melrose business improvement district may also contract for the provision of services or the coordination of services for the homeless in order to achieve Ambassador / Security Program purposes. The District could contract with a greater Los Angeles area non-profit organization, People Assisting the Homeless (PATH), to achieve this goal. For the purpose of establishing a budget estimate, a \$7,500 annual contract for such services has been projected.

Ambassador / Security Program services will specially and individually benefit each assessed parcel in the District because services will be provided immediately adjacent to each such parcel. No improvements, activities, or services will be provided outside of the District's boundaries (or north of the alley north of Melrose Avenue or south of the alley south of Melrose Avenue).

B. LANDSCAPE MAINTENANCE, SANITATION, and BEAUTIFICATION

The purpose of the Landscape Maintenance, Sanitation, and Beautification Services Program is to clean the sidewalks and public landscaping adjacent to each individually assessed parcel to a level of attractiveness higher than would exist with only baseline City services.

A high quality standard of operation, cleanliness, and beauty will be established throughout the entire District. A clean and attractive business district enhances the quality of the shopping and business experience in the District and contributes to an improved business climate. These services may be provided by either staff

working for the District or by contractor (s) to the District, or a combination of both. These activities may include, but are not necessarily limited to, the following: street sweeping; sidewalk sweeping; public alley sweeping; sidewalk pressure washing; graffiti removal; sticker removal; street litter pick-up; planting of new or replacement trees; and, irrigation and operation of landscaping, trees, public art, signage, lighting, and other improvements that may be installed by the District, the City, or other entities. For the purpose of establishing budget estimates, historical cost experience in providing such services in other business improvement districts in the greater Los Angeles area have been projected.

Monies may be set aside each year to pay for special capital improvements (e.g. street tree lights, street furniture, one-time streetscape repair, holiday decorations, or other similar improvements). These improvements will specially and individually benefit only the assessment paying parcels in the District by improving the area in a manner that attracts business and customers. These are improvements, activities, or services not otherwise provided by the City of Los Angeles.

The District Owner's Association will endeavor to obtain available public or private funding to leverage (or magnify) its assessment revenues for the installation of streetscape, landscape, sanitation, beautification, or other improvements, activities, or programs within the District. The District may provide funding for urban design, planning, economics, grant preparation, or other support services, or grant matching funds to accomplish such ends.

Landscape Maintenance, Sanitation, and Beautification Program services will specially and individually benefit each assessed parcel in the District because services will be provided immediately adjacent to each such parcel. No improvements, activities, or services will be provided outside of the District's boundaries (or north of the alley north of Melrose Avenue or south of the alley south of Melrose Avenue).

C. MARKETING AND PROMOTIONS

The purpose of the Marketing and Promotions Program is to promote the business activities and opportunities occurring on assessed parcels in the District.

Marketing, promotions, and public relations initiatives will create and disseminate information and awareness about Melrose's identity, brand, and business opportunities to convey a positive image to consumers, visitors, and investors. Such initiatives may include, but are not limited to, the following: street banners; holiday decorations; a website; a newsletter; special printing, graphics or advertising; public relations activities; special events or activities; placement of promotional materials in various media; creation and operation of "shop local" incentive programs; etc. The District may use any available effective media for these initiatives.

Marketing and Promotions Program services will specially and individually benefit each assessed parcel in the District because they will promote the business activities and opportunities occurring on these parcels.

D. NEW BUSINESS ATTRACTION

The purpose of the New Business Attraction Program is to attract businesses to assessed parcels in the District.

New business attraction efforts will provide growth in the number of businesses, increase the size of existing business, and present new opportunities for Melrose property and business owners. These efforts may focus on specific new businesses / tenants being recruited to the District or general future expansion that significantly affects the District, and may be undertaken by District employees or contractors.

New Business Attraction Program services will specially and individually benefit each assessed parcel in the District by attracting tenants to such parcels and helping to maintain a high occupancy rate in the District.

E. POLICY DEVELOPMENT, DISTRICT MANAGEMENT, and ADMINISTRATION

The purpose of the Policy Development, Management, and Administration Program is to create a well managed District that optimizes the use of the assessment funds through effective vendor selection and contract management, excellent communications with stakeholders, effective advocacy on behalf of parcel owner interests, effective board and committee coordination, and sound fiscal management.

This budget category collects District costs for implementing the other identified direct services provided to District property and business owners. In addition to managing and administering all affairs of the Owner's Association and complying with all contractual obligations to the City for District operations, this program serves as a "voice" of the parcel owner community to the media and governmental policy makers. Development of policies that seek to promote Melrose business, and effective and efficient District management / administration are the products of these services. Such efforts may produce changes that enhance business at a number of levels: within the business improvement district organization; within other community based organizations; at City Hall and its various departments; or at other levels of government.

The District will seek grant funding and non-assessment financial support through these services. It will also seek "co-partnerships" with governmental, non-profit, and private sector organizations through these services

The District will be managed / administered by a professional manager who may utilize administrative and technical support as needed that would be provided by this budget item. Positions that may be utilized by the District, include, but are not limited to, the following: an executive director, clerical assistance, field maintenance assistance, and an ambassador / security officer. These positions may be either District employees or contract service providers as determined to be the best interests of the District by the Owner's Association.

Policy Development, District Management, and Administration services will specially and individually benefit each assessment-paying parcel located within the District. No improvements, activities, or services will be provided outside of the District's boundaries.

F. OFFICE, INSURANCE, ACCOUNTING, and OTHER

The purpose of the Office, Insurance, Accounting, and Other budget item is to fund the various administrative costs associated with providing the District's services to assessed parcels.

District office supply, material, insurance, accounting, bookkeeping service, rental, telephone, meeting expense, database, computer, furnishing, equipment, and other necessary expenses are included in this budget category.

Office, Insurance, Accounting, and Other serves to implement all other District improvements, activities, and services.

Office, Insurance, Accounting, and Other expenses are incurred only when associated with the provision of improvements, activities, and services that specially and individually benefit each assessed parcel in the District. No improvements, activities, or services will be provided outside of the District's boundaries.

G. UNCOLLECTED ASSESSMENT RESERVE

The purpose of the Uncollected Assessment Reserve is to provide an accounting cushion for the revenue shortfall that might be created in any particular year for assessments that are not paid timely through the County of Los Angeles. This is a temporary reserve that has been established to offset such temporary revenue shortfalls. Use of these funds is incurred only when associated with the provision of improvements, activities, and services that specially and individually benefit each assessed parcel in the District. No improvements, activities, or services will be provided outside of the District's boundaries.

INSERT BUDGET SERVICE PLAN

IV. PROPOSED MANAGEMENT DISTRICT ASSESSMENT FORMULA

Revenues to fund District Service Plan costs will be generated by an annual special assessment against each parcel in the District. The amount of the special assessment against each parcel reflects the relative special benefit that parcel will derive from District services.

The annual rate of the assessment will be \$0.1499 per square foot of lot size; \$0.1932 per square foot of improvement size; and, \$8.3964 per linear foot of street frontage.

Assessment rates will be adjusted annually according to the change in the Consumer Price Index for Los Angeles-Orange-Riverside for All Urban Consumers, but this adjustment will not exceed three per cent (3%) per fiscal year.

These assessment rates were designed so that one-third (33.33%) of the total assessment will be based on lot size, one-third (33.33%) will be based on improvement size, and one-third (33.33%) based on street frontage. These three factors, taken together, better reflect the benefits derived by different types of land uses and parcels than would any single factor.

Parcels zoned “PF” and used as public schools by the Los Angeles Unified School District (LAUSD) require special analysis in order to avoid overstating the benefits they receive. Such parcels will be assessed only for the linear street frontage along Melrose Avenue and other streets located in the District only for the length of the frontage that is directly across from other street frontage that is in the District. LAUSD parcels will benefit from the direct delivery of cleaning, sanitation and ambassador/patrol services along their Melrose Avenue and other street frontage that is directly across from street frontage that is in the District. Other District services such as marketing and promotions; new business attraction; and policy development, management, and administration are designed to increase commerce and foot traffic in the District. Public schools, by their nature, do not benefit from these services to the same extent as other uses. The adjusted assessment also recognizes that school parcels are disproportionately large in square footage and improvement square footage compared with their intensity of use, as a result of the inclusion of playing fields, quads, and similar areas, as well as auditoriums and other buildings that are used only occasionally or only during part of the day.

A list of the parcels to be included in the District is provided in Appendix 1 of this document. The Engineer’s Report provides a full database including the proposed 2013 assessments for each parcel included within the District.

For a more complete description of the methodology used to determine these rates, please refer to the Engineer’s Report for the District, which is incorporated herein by reference, and included in Appendix 2 of this document.

During the five-year effective term of the District, it is likely that some of the improvements on some parcels within the District will change, will be developed with additional commercial improvements, or will see the demolition of existing

improvements. The assessment against each parcel for any year will be based on the improvements actually present on the parcel at the beginning of that year. The assessment against such parcels shall be recalculated beginning with the assessment for the first year following the construction or demolition of improvements. The new assessment against such a parcel shall be calculated pursuant to the formula set forth in the Engineer's Report (see Step 5 on Page ER-13). Pursuant to Government Code Section 53750(h)(3), a change in the assessment against a parcel that results solely from changes to the parcel does not constitute an assessment "increase" requiring the conduct of a new Proposition 218 ballot proceeding. Such a proceeding will be required if the assessment formula itself is changed.

V. CONTINUATION OF CITY SERVICES / CITYWIDE BASE LEVELS of SERVICE

The base line services of the City of Los Angeles are not affected by the District's improvements, activities and services, which are only supplemental in nature to those services. The Melrose business improvement district is being formed to provide enhanced or otherwise unavailable improvements, activities, and services for each individual assessed parcel located within the boundaries of the District.

VI. PUBLICLY OWNED PARCELS

The State Law requires that all publicly owned parcels within the District be assessed as any other similarly situated private parcel unless the affected public agency demonstrates by clear and convincing evidence that those publicly owned parcels, in fact, receive no special benefit. The publicly owned parcels and their respective annualized assessment amounts for 2012 are shown below:

LOS ANGELES UNIFIED SCHOOL DISTRICT (LAUSD)

	APN #	Description	Owner	Total PBID Assessment	%
1	5525-010-900	Melrose Elementary School	LAUSD	\$4,063.88	0.84%
2	5527-021-900	Fairfax High School	LAUSD	\$7,775.28	1.60%
Total LAUSD				\$11,839.16	2.44%

See the Engineer's Report for additional information about the publically owned parcels.

VII. PROPOSED IMPLEMENTATION TIMETABLE

The following timetable is proposed for the Melrose business improvement district formation:

<u>DATE</u>	<u>ACTIVITY</u>
December 2011	1 st draft Management District Plan / Engineer's Report.
January 2012	Approval of Management District Plan / Engineer's Report by City Clerk's Office.
March 2012	Petitions circulated to all property owners.
April 2012	Signed petitions submitted to City Clerk's Office & City Council.
May 2012	City Council adoption of Ordinance of Intention to Form BID.
June 2012	Proposition 218 ballot election.
July 2012	Final City Council hearing and ballot counting.
August 2012	Melrose BID assessments filed with L. A. County.
October 2012	Approval of new City Contract for BID administration. City Clerk initiates PBID assessment collection process for initial year.
January 2013	Melrose BID begins operations.

As provided by State Law, the new Melrose business improvement district will have a set term. The District's term will be January 1, 2013 through December 31, 2017. At the end of that period, the District may be renewed as permitted by State Law. If the District is not renewed or is otherwise terminated for any reason, all unexpended assessment funds will be returned to property owners as required by State Law following the removal of all District improvements and property from the public right of way as described Service Plan Budget section of this Management District Plan.

VIII. DISTRICT GOVERNANCE

State Law establishes a framework for District governance with City Council oversight and local, private sector management as described below:

A. Owner's Association

The City will enter into a contract with a private, non-profit entity designated as an “owner’s association” to administer and implement improvements, activities, and services described in the Management District Plan. The owner’s association may be an existing or newly formed nonprofit entity. The owner’s association will be a private entity, governed by a Board of Directors and created pursuant to its adopted Bylaws. Notwithstanding this, the owner’s association will observe the requirements of the Ralph M. Brown Act that establishes standards for public meetings and the California Public Records Act that establishes standards for maintaining public records concerning District operations. Among its other responsibilities, the Owner’s Association will prepare an annual report with respect to District operations as required by Section 36650 of the State Law.

B. Professional Staff

The Board of Directors of the owner’s association will employ an Executive Director whose duty it is to implement all of the improvements, services, and activities; and, to supervise all subordinate District staff on a day-to-day basis. The Executive Director is responsible to the Board of Directors through their policy direction and budgets.

C. Staff Neutrality

The professional staff is charged by the Board of Directors with a mission of performing administrative functions in the most efficient and effective manner possible. At times, District assessment payers may have conflicting needs or desires that may not be clearly determined by the Board. In such circumstances, staff should refer such choices to the Board of Directors for decision.

Appendix 1:
District Parcel List

Appendix 2:
Proposition 218 Engineer's Report